BNSF RAILWAY

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Chairman and Chief Executive Officer

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August 22, 2013

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street, S.W.
Suite 1220
Washington, DC 20423-0001

Dear Chairman Elliott:

I write in response to your letter dated August 1, 2013, with answers to your specific questions regarding BNSF Railway Company's (BNSF) assessment of anticipated service demand and actions taken or underway to meet our customers' expectations.

Let me begin by noting that for the past several years, BNSF has been steadily increasing our capital investments as our returns have increased. Since the year 2000, BNSF has invested more than $42 billion to improve and expand our freight rail network. BNSF's record 2013 capital commitment of $4.3 billion is the largest we, or any other railroad, has ever undertaken. We are pleased that the regulatory model of the Staggers Act is working, as this creates the right incentive for increased investment in rail capacity.

For the first half 2013, overall BNSF units rose 3.4 percent compared to the same period a year earlier. We expect continued growth through 2013, with a full year forecast of 5 percent to 6 percent. While we have not yet surpassed our 2006 record for units, as I will discuss below, we have a very different railroad in 2013 than we did in 2006, and we are investing to meet this current demand profile. As we progress through the latter half of the year, we believe we have the manpower, capital and rolling stock resources in place to meet anticipated volumes. Starting with our manpower, we believe we are well-positioned to meet anticipated demand. We currently have a surplus of employees, and we are about to complete peak vacation demand. Additionally, we plan on having over 500 new hires complete training between now and the end of 2013.

Turning to capital, a fundamental component of our ability to continue growing and accommodating additional volume is our capital investment. The largest component of our capital plan is spending $2.3 billion on BNSF's core network and related assets. BNSF also plans to spend approximately $1 billion on locomotive, freight car and other equipment acquisitions. We have 94 more new locomotives to come on line and have 125 locomotives in surge capacity, ensuring that we are prepared as velocity increases and maintenance activity concludes. The program also includes about $200 million for positive train control and $800 million for terminal, line and intermodal expansion and efficiency projects.

Turning to more specific answers to your questions related to volume and service expectations in our four major business units:

In our Coal business unit, Powder River Basin (PRB) coal volumes have significantly increased this year versus 2012 due to the higher natural gas prices, lower coal stockpiles and increased coal burn. Additionally, new business has increased BNSF loadings versus prior year. Through mid-year, PRB coal burn was 12.5 percent greater than the burn in 2012. Additionally, coal stockpiles were down to 67.1 days on-hand versus the high of 89.1 days on-hand last April. As the year progresses, we anticipate the demand staying at current levels, and we have increased sets to match this demand level.

Volumes in our Agricultural Products business unit have not grown so far in 2013 but are expected to trend upward late in the year. Expected U.S. corn production, coupled with domestic soybean and wheat supplies, should lead to increased grain shipments. We are well-positioned for increased agriculture volume as we're currently pre-positioning empty shuttle sets to regions where we anticipate demand, in addition to adding 500 cars to the fleet prior to harvest peak. We have about 3,000 covered hoppers still in storage, so we have cars readily available as volumes increase.

Consumer Products has experienced fairly good volume growth this year, with domestic intermodal being the primary driver. From a domestic intermodal perspective, volume continues to be driven by over-the-road conversions. Intermodal's importance to North America's supply chain continues to expand. As cargo owners expect increased shipments with an improving economy, they are looking for capacity alternatives to mitigate impacts from increasing costs, fluctuating fuel prices and the trucking industry's challenges with attracting and retaining quality drivers. As a result, we are seeing significant volume converting from highway to rail.

Expectations for strong domestic intermodal continue through the second half of 2013, and a normal peak season is expected. International intermodal volumes are more reflective of the modest U.S. economic recovery. Continued oversupply of transpacific vessel capacity and lack of robust demand has the ocean carrier community struggling with profitability. However, expectations are for international intermodal to experience an increase in volumes during the peak season and to see modest year-over-year growth. We will have no issues accommodating intermodal volumes.

Supporting this growth, we plan to open our Logistics Park Kansas City facility in October. This new intermodal facility will improve our ability to serve the Midwest from West Coast ports in addition to other business. BNSF is also investing in additional siding and double tracking on our Avard and Cherokee Subdivisions in Oklahoma and Missouri to support Southeast intermodal growth. We will also be installing CTC signaling on the Avard Subdivision.

Concerning automotive traffic, North American sales continue to escalate, driven by pent-up demand for more fuel-efficient and technologically-modern vehicles and attractive financing. To support this growing demand, BNSF has increased its active car fleet over last year and continues to focus on velocity for the entire fleet. In addition, BNSF plans to add incremental fleet capacity through new car builds and car leases in 2013. We participate in cooperative initiatives with other Class I railroads to revise current distribution rules to improve fleet efficiency and encourage additional investment in the national fleet. Additionally, BNSF continues to work in industry forums alongside other Class I carriers and auto manufacturers to reduce fleet dwell and increase fleet velocity.

Industrial Products volumes exhibited double-digit volume growth in the first half of 2013, driven primarily by strength in energy-related commodities, specifically crude oil and sand. This trend is expected to continue for the rest of 2013. BNSF currently serves 17 crude unit train origin facilities across the Western U.S. shales, with over 25 additional facilities under development. On the destination side, we currently serve 24 unit train facilities, with more than 30 additional unit train facilities under development.

With respect to supporting this increased demand for crude oil and related oil and gas drilling commodities, we have created a dedicated unit train operations desk governing the movement of crude, sand, pipe and other unit trains. Through consistent communication with customers, we can anticipate volume expectations for crude and drilling-related products out of each facility. Additionally, we have developed online tools to support our carload customers by offering them visibility into the status of their shipments, both loads and empties, also allowing them to order equipment in advance.

From a network perspective, we plan to make significant investments to handle energy-related volume growth including expansion at our Mandan, Minot and Williston, North Dakota, yards as well as additional siding capacity and line improvements in our North and Central regions such as a second main track at La Crosse, Wisconsin. We are also continuing our work on Tower 55 in Fort Worth, Texas, in addition to improvements at our Northtown terminal in St. Paul, Minnesota, for all industrial products including crude and frac sand. BNSF recently added $200 million to the 2013 capital plan for northern line expansion to support anticipated crude volume growth, which will benefit other commodities such as agricultural products that travel in the same corridors.

In conclusion, we believe we are well-positioned to handle additional growth for the remainder of 2013 and going forward. Our record capital investment, employees and commitment to continually improving service give us confidence that we will meet our customers' expectations. Please feel free to contact me with any questions or if I can provide any additional information.

Sincerely,

Matthew K Rose

Matthew K. Rose

cc: Vice Chairman Ann D. Begeman
Commissioner Francis P. Mulvey